

Chapter 6.16

Knowledge Economy for Innovating Organizations¹

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ABSTRACT

Today's knowledge economy is dynamic, complex, and global. Every organization faces numerous challenges in trying to survive let alone thrive in such an environment. It is essential for innovating organizations to understand the key drivers of the knowledge economy so that they can better position themselves and thereby reap the rewards of a sustainable competitive advantage. The following addresses this by discussing knowledge and the key drives of the knowledge economy.

INTRODUCTION

In today's knowledge-based economy sustainable strategic advantages are gained more from an organization's knowledge assets than from its

more traditional types of assets; namely land, labor and capital. Knowledge however, is a compound construct, exhibiting many manifestations of the phenomenon of duality such as subjectivity and objectivity as well as having tacit and explicit forms. Overlooking this phenomenon of duality in the knowledge construct however, will serve only to detract from the ability to realize the true potential of any organization's intangible assets. This is particularly problematic for an innovating organization, since it has such a high reliance on leveraging the cumulative expertise that resides within it to continually improve and innovate. Hence without a good understanding of the knowledge economy and how to effectively manage knowledge in such an environment, the innovating organization will find itself in an inferior position relative to this environment rather than enjoying a sustainable competitive advantage afforded by maximizing the benefits of its distinctive competencies.

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This chapter contends that by understanding the phenomenon of duality and how it relates to the knowledge construct not only will innovating organizations firstly be able to better understand the compound knowledge construct and its management but also this will facilitate their superior functioning in the knowledge economy.

In this chapter, many specific manifestations of the duality phenomenon as it relates to knowledge and its management are highlighted such as the subjective and objective perspectives, the consensus versus disensus perspective, the Lokean / Leibnitzian aspects of knowledge versus the Hegelian / Kantian aspects, and the people versus technology dimensions. Throughout the chapter no one perspective is singled out as correct or incorrect rather the emphasis is on the fact that these respective duals not only underscore the duality phenomenon at different levels but are all useful, necessary and important for an innovating organization to fully appreciate the compound quality exhibited by the knowledge construct and thereby embrace superior knowledge management strategies, techniques, tools and processes. In addition, a sound understanding of the duality phenomenon as it relates to knowledge will not only facilitate a better understanding of how to embrace knowledge management (an important strategy in today’s knowledge economy (Drucker, 1993)), but also address key needs such as identified by Nonaka that “... few managers grasp the true nature of knowledge creating companies – let alone how to manage it” (Holsapple and Joshi, 2002, p.47) and Ann Stuart that “[m]any managers would be hard pressed to explain precisely and concisely, what this evolving business trend (knowledge management) means” (ibid, p.47).

THE KNOWLEDGE ECONOMY

In general, economists are agreed that the world has experienced three distinct ages – the Agrarian Age, the Industrial Age, and now the Information

Age (Persaud, 2001; Woodall, 2000). The hallmark of the Information Age, is the rapid adoption and diffusion of ICT (information communication technologies) which has had a dramatic effect on the way business is conducted as well as on the life styles of people. An important consequence of globalization and rapid technological change has been the generation of vast amounts of raw data and information, and the concomitant growth of the capabilities to process them into pertinent information and knowledge applicable to the solutions of business problems. Knowledge then has become a major organizational tool in gaining and sustaining competitive advantage.

Traditionally, economists have emphasized land and the associated natural resources, labor, and capital as the essential primary ingredients for the economic enterprise. However, in the Information Age, knowledge is now being considered to be as important as the three original prerequisites. Hence, the new term Knowledge Economy has emerged and managing knowledge has become one of the primary skills organizations need to acquire in order to survive and prosper. Table 1 contrasts the critical components of the knowledge economy with the traditional economy

Knowledge

There exist many plausible definitions of knowledge. For the purposes of this chapter the definition of knowledge given by Davenport and Prusak (1998, p.5) will be used because it is not only

Table 1. Critical components of the knowledge economy

<i>Economy</i>	<i>Critical Components</i>
<i>Traditional</i>	<ul style="list-style-type: none"> • Land (natural resources) • Labor • Capital
<i>Knowledge</i>	<ul style="list-style-type: none"> • Creativity • Information & data • Intellectual Capital • Innovation

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